

# Veeco's quarter beats guidance

Veeco Instruments financial results for 1Q ended March 31, 2005 showed revenues were \$93.9m, up 3% from the \$90.9m 1Q 2004 but down 9% from 4Q of 2004. (Guidance was \$85-90m).

Gross margin increased to 40% compared to 37.5% in 4Q 2004, in line with guidance. Gross margin for the 1Q of 2004 was 42%. Net loss was \$4.7m (-16c/share). Earnings excluding certain charges were 1c/share.dil. Bookings were \$98.9m, flat compared with the 4Q of 2004, and down 15% from 1Q of 2004.

Chairman and CEO Edward H. Braun said, "We are pleased to report 1Q revenues and bookings above our guidance, and profitability in line with guidance and on track with our stated 2005 margin and profit improvement plan."

"Veeco's first quarter 2005 bookings of \$98.9m reflected increased demand from our data storage customers who are currently investing in capacity expansion for new consumer micro-drive applications and advanced development programs for next generation, higher a real density perpendicular thin film magnetic heads.

Data storage orders increased 26% sequentially to \$45.3m - the highest quarterly level we have experienced in several years - including multi-million dollar orders from all five of the world's leading data storage hard disk drive manufacturers.

Veeco has now reported two sequential quarters of nearly \$100m in overall bookings, which has increased our backlog. These results support our outlook for flat 2005 revenues with improved profitability."

## Avenex restructures

Restructuring at components vendor Avanex Corp is spreading to France, following on the closure of North American manufacturing facilities last year in a move expected to save \$12m pa.

CEO Jo Major said the French restructuring would be the more substantial of the two, saving \$28m pa. French restructuring was delayed while the layoffs in Europe were negotiating.

Avanex will cut about half of its staff in France, mostly on the manufacturing side. Major did not give a specific number, but Avanex employs a total of 400 people in Europe split between its facilities in France and Italy, according to SEC documents.

By adding a third phase of restructuring - changes to cut administrative expenses - Avanex expects to reach positive cashflow (not including

restructuring charges) "no later than June 2006," according to Major.

The three major components firms are cutting costs by relying more on contract manufacturing, and moving in-house manufacturing to Asia.

JDS Uniphase Corp sold some facilities to Fabrinet Co Ltd, and Bookham Inc continues to migrate manufacturing to China, saving costs in the long run.

Avanex's restructuring announcement came with its quarterly earnings release. For its 3Q ended March 31, it reported losses of \$18.9m (13c/share) on revenues of \$40.3m, compared with losses of \$24.4m (17c/share) on revenues of \$41.9m for the previous quarter. For its 3Q a year ago, Avanex reported losses of \$41m (29c/share) on revenues of \$30.1m.

# Keithley grows sales and income

Keithley Instruments Inc net sales of \$37.7m for the 2Q of fiscal 2005 increased 11% from net sales of \$34m in last year's 2Q. Of the 11% increase, approximately one percentage point was due to the effect of a weaker US dollar. Sequentially, sales increased 6% from the 1Q.

The company reported net income for the 2Q of fiscal 2005 of \$3.2m, or 19c/share, a 22% increase from net income of \$2.6m, or 16c/share, in last year's quarter.

Orders of \$35.7m for 2Q increased from last year's orders of \$31.1m. Geographically, orders decreased 29% in the

Americas, increased 59% in Asia, and increased 23% in Europe when compared to the prior year.

The company received two large orders during the quarter, one from an Asian wireless customer resulting from a new design win, and one from a Korean semiconductor manufacturer, which was a follow-on order from a design win last fall.

When compared to the prior year's quarter, orders from semiconductor customers were essentially flat, orders from wireless communications customers increased approximately 145%, orders from precision electronic components

and subassembly manufacturers declined about 15%, research and education customer orders increased approximately 20%, and optoelectronic customer orders decreased about 35% compared to the prior year's quarter.

Sequentially, orders increased 2% from the first quarter of FY 2005, as higher wireless customer orders offset lower orders from the company's other targeted customer groups. Order backlog decreased \$1.6m during the quarter to \$14.3m at March 31, 2005.

"We are pleased with our financial performance

including our order and sales growth," said chairman, president and CEO Joseph P. Keithley. "However, we saw a slowdown in capital equipment spending during the quarter from customers utilizing our products in production applications. This was a result of slower than expected growth in their own businesses."

"The large orders we received during the quarter were the result of recent design wins. Because our lean manufacturing initiatives have enabled us to shorten lead-times, we were able to meet our customers' delivery schedules and ship the products during the second quarter."